

Message Text

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PAGE 01 TOKYO 10815 200958Z

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 FEA-02 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00 FPC-01 H-03

INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 IO-14

PA-04 PRS-01 USIE-00 SSO-00 NSCE-00 INRE-00 /188 W

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 4043

INFO US MISSION OECD PARIS 3085

C O N F I D E N T I A L TOKYO 10815

E.O. 11652: GDS

TAGS: EINV ENRG OPEC OECD

SUBJ: FOREIGN DIRECT INVESTMENT BY OIL PRODUCING NATIONS

REF: STATE 178868

EMBASSY VIEWS ON ISSUES POSED REFTEL FOLLOW:

A. GOJ POLICY

1. WHILE GOJ HAS SHOWN SIGNS OF SOME INTEREST IN DIRECT GOVERNMENTAL BORROWING FROM OIL PRODUCERS, QUESTION OF DIRECT INVESTMENT BY OIL PRODUCERS IN JAPANESE ECONOMY REMAINS LARGELY HYPOTHETICAL AT THIS STAGE. JAPANESE AUTHORITIES NOT AWARE OF ANY INTEREST ON PART OF OIL PRODUCERS IN DIRECT--AS OPPOSED TO PORTFOLIO OR LOAN--INVESTMENT IN JAPAN. IN DISCUSSIONS WITH EMBOFF GOJ OFFICIAL APPEARED RELAXED ABOUT FOREIGN DIRECT INVESTMENT AND MENTIONED CONTINUATION OF JAPANESE LIBERALIZATION. EMBASSY BELIEVES THAT DESPITE LIBERALIZATION OVER PAST TWO YEARS GOJ CONFIDENT THAT EXISTING CONTROLS

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PAGE 02 TOKYO 10815 200958Z

SUFFICIENT TO PREVENT FOREIGNERS FROM "BUYING UP JAPAN".

DIRECT BORROWING OF OIL DOLLARS BEING STUDIED WITHIN GOJ BUT ALL REPORTS INDICATE THAT NO DECISION HAS YET BEEN REACHED ON MODES OF BORROWING, AMOUNTS, AND RELEVANT CONDITIONS. EMBASSY BELIEVES GOJ HAS GIVEN LITTLE IF ANY CONSIDERATION TO DIRECT INVESTMENT ROUTE FOR OIL DOLLARS AND MAY MERELY BE CONSIDERING CONTINUATION OF PRESENT FOREIGN BORROWING THROUGH LOAN AND PORTFOLIO INSTRUMENTS. PRESS REPORTS SUGGEST MOF WILL CONTINUE CLOSELY CONTROL ALL INFLOWS OF FOREIGN FUNDS IN WHICH-EVER FORM. GUIDELINES UNDER CONSIDERATION REPORTEDLY INCLUDE:

(A) CASE-BY-CASE LOAN CEILINGS (\$30 MILLION HAS BEEN MENTIONED); (B) INTEREST RATE CEILINGS (E.G. APPROX. EURODOLLAR RATE PLUS 0.5 TO 0.75 PERCENT MAXIMUM); (C) CLOSE SCRUTINY AS TO OBJECT, WITH "OIL DOLLAR" INVESTMENT PROHIBITED IN JAPANESE REAL ESTATE AND OTHER AREAS ALREADY UNDER RESTRICTION, IN LINE WITH DOMESTIC MONETARY POLICIES.

B. GOJ REACTION TO ALTERED USG POLICY: WITHOUT DISCUSSING QUESTION WITH GOJ AUTHORITIES, WE DO NOT BELIEVE THEY WOULD HAVE A STRONG REACTION AGAINST MORE ACTIVE PROMOTION OF DIRECT FOREIGN INVESTMENT BY OIL PRODUCERS IN U.S. SIMILARLY, U.S. RESTRICTIONS DIRECTED SOLELY AGAINST OIL PRODUCERS PROBABLY WOULD NOT GIVE THEM SERIOUS PROBLEMS. HOWEVER, RESTRICTING FOREIGN INVESTMENT BY SOURCE WOULD APPEAR TO FACE GREAT PRACTICAL DIFFICULTIES. IF U.S. THEREFORE APPLIED GENERAL RESTRICTIONS ON FOREIGN INVESTMENTS, GOJ COULD BE EXPECTED TO REACT STRONGLY AND NEGATIVELY AGAINST ANY SUCH RESTRICTIONS WHICH IMPAIRED ABILITY JAPANESE FIRMS TO INVEST FREELY IN U.S.

C. EMBASSY IS NOT IN POSITION TO COMMENT ON EFFECT OF U.S. POLICY ALTERATIONS ON OPEC PRODUCTION OR EXPORTS TO U.S.
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